



AN URGENT MESSAGE FROM THE SPEAKER

Dear Colleagues and Staff:

I know that many of you will receive questions from the press and your constituents regarding the passage of SB 7X, which appropriates \$400 million and authorizes the Department of Water Resources to enter into contracts over the next few weeks to purchase electricity and provide it directly to California residences and businesses. Following are the points I made at the bill signing ceremony this afternoon:

- We stand with the Governor today, giving him in SB 7X the tools he needs to restore immediate reliability and confidence in our power system.
- Many must take responsibility for this problem, but the people of California are innocent and must be protected.
- All of us realize that this is not the long-term answer. It only buys us a very short amount of time.
- Now, our challenge is to use time we have bought wisely, finalizing the long-term plans many Assembly Members have worked day and night to produce – using the talent we have in the building and have drawn from across the country.
- This plan will be fashioned to keep the lights on and the prices low.
- We are ready to meet that challenge. Let's get back to work.

Additionally, I believe we have improved the original plan the Governor envisioned. Some of those improvements are:

- Instead of passing through California's costs for the purchase of energy directly to the consumer (which yesterday was 50 cents per kilowatt hour), SB 7X protects consumers by not allowing rates to rise above their present level, regardless of the cost of electricity on the spot market.
- It seeks to limit the Governor's authority and to place clear bounds around both the amount of general fund revenue that can be utilized and the duration of the contracts.
- Under the plan, the state will sell power directly to consumers, not to the utilities, which provides two benefits:
 1. If the utilities should go into bankruptcy – which we are hopeful this will avoid – the utilities will not owe the state, which means we will not be in line in bankruptcy court as a creditor.
 2. The plan also helps the utilities avoid bankruptcy as we are not adding – even on paper – to the debt burden under which the utilities are currently struggling.

Our job is clear. We must keep the lights on and keep the prices to California consumers low. That is the challenge each of us faces. That is the challenge I know our caucus is prepared to meet.

Lights could be off 12 hours a day, utility warns

A cash-strapped California utility warns as many as 2.6 million customers could face up to 12 hours a day without electricity unless the state's efforts to buy power on its behalf sufficiently boosts the lagging supply.

The worst-case scenario plan, which Pacific Gas and Electric Co. filed with the state's Public Utilities Commission, also would plunge hospitals and police into darkness for up to six hours a day.

Southern California Edison Co., another major California utility near bankruptcy, has not yet released such a plan, said spokesman Paul Klein.

Hospitals are required by state law to have backup generators and emergency plans. But surgeries may be postponed if blackouts persist because hospitals are not allowed to perform them unless they have backup power. Those running on generators during an outage would not.

Davis did not immediately respond to calls for comment.

Utilities order to provide customers this weekend

State regulators ordered two huge cash-strapped utilities to keep serving their customers Friday as California's energy crisis began to reverberate through the economy, threatening everything from milk supplies to gasoline deliveries.

Gov. Gray Davis signed a hastily approved law spending \$400 million in a desperate bid to keep power flowing.

Davis' action came shortly after the Public Utilities Commission blocked Southern California Edison and Pacific Gas and Electric Co. from taking action on their own to scale back service to any of their 10 million residential and business customers. The panel voted 2-1 for the temporary restraining order.

The order assures the utilities "will not and may not abandon service to customers over the weekend," PUC Chairwoman Loretta Lynch said. State law requires the utilities to serve their customers no matter how poor their financial condition, the PUC's order said.

The bill signed by Davis lets the state use \$400 million in taxpayer money to purchase power on the open market and resell it to cash-strapped utilities. The Assembly approved it 70-0 and the Senate backed it 34-2 Thursday evening.

U.S. Energy Secretary Bill Richardson, calling California's power supply "precarious," said Friday he was issuing an order to require companies to continue shipping natural gas into California to ensure adequate supplies.

Company officials called the plan a "worst-case scenario." As long as the state or the ISO can continue paying for PG&E's power, there would be no need to put the doomsday scenario into effect, said PG&E spokesman John Nelson.

Ironically, the state's most populous area, Southern California, escaped the blackouts. That was in part because of quirks in the state's distribution system that causes power bottlenecks in the north, making it harder to deliver electricity there than to members of the power grid located in the south.

Los Angeles, meanwhile, has its own, separate system that has given the nation's second-largest city enough power that it has been able to sell some at low cost to the rest of the state during the crisis. It provided 300 to 700 megawatts an hour to the rest of California on Thursday.

The state also helped out, spending an estimated \$6.2 million to buy power on Thursday, according to the state Department of Finance.

Legislature approves emergency action as another day of blackouts

California lawmakers approved a \$400 million rescue plan in a desperate bid to keep power flowing as the state's energy crisis threatened everything from milk supplies to gasoline deliveries.

The bill, passed Thursday night, allows the state to buy power on the open market and provide it to cash-strapped utilities at little cost. Gov. Gray Davis was expected to sign the measure Friday.

The keepers of the state's power grid warned early Friday that blackouts could occur again for a third day.

"Nothing has changed to a great extent. The demand in Northern California is down slightly at this point, but we still need people to conserve," said Patrick Dorinson of the California Independent System Operator.

Officials around the nation offer ideas for California's energy crisis

In a parting shot, the former chairman of the Federal Energy Regulatory Commission urged adversaries in the power crisis to "put down the guns" and negotiate a remedy to California's problems. James Hoecker, who left his seat Thursday so President-elect Bush could appoint a successor, criticizes the state's tentative steps toward market pricing that FERC contends will eventually benefit customers.

California's entire U.S. House delegation signs a letter to FERC advocating a Western price cap on wholesale electricity to rein in costs driving utilities to the brink of bankruptcy. Regulator resist setting a cap because limiting prices could discourage construction of new power plants.

At a U.S. Conference of Mayors meeting in Washington, D.C., city officials from across the country urge development of a national energy policy and a 10 percent voluntary reduction in power consumption because of the California crisis.

California Attorney General Bill Lockyer asks FERC to set aside an order allowing PG&E Corp. to change its corporate structure, effectively insulating the bulk of its assets from the credit problems of its utility, PG&E Co.